FOREIGN TRADE AND INVESTMENT IN CHINA

Spring Semester 2017

[ECON0602/ECON2249]

General Information

Instructor: Prof. Larry D. QIU
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Email: larryqiu@hku.hk Homepage: http://www.sef.hku.hk/~larryqiu
Office Hours: 10:00am-11:30am, Thursday
Class Time and Venue: 9:30am-12:20pm, Wednesday, LE4
Pre-requisite ECON1001/ ECON1210 Introductory Microeconomics
ECON1002/ ECON1220 Introductory Macroeconomics
Teaching Assistant: TBA

Course Objectives, Goals and Outcomes

Overall Goals:
1. Acquisition and internalization of knowledge of economics and finance
2. Application and integration of knowledge
3. Inculcating professionalism and leadership
4. Developing global outlook
5. Mastering communication skills

Course Learning Goals:
1. To learn fundamental concepts and theories of economics and finance
2. To develop analytical skills and economic / financial intuition
3. To identify major issues/ problems
4. To develop capacity to obtain and process information
5. To apply relevant concepts and analytical tools, identify viable alternatives and make informed choices
6. To keep abreast of global developments and adapt to changing environments
7. To develop cross cultural awareness and understand the importance of diversity

Alignment of CLOs with Faculty Goals

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Aligned Faculty Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLO1 Should know the fundamental principles and theories of economics and finance</td>
<td>Goal# 1, 2</td>
</tr>
<tr>
<td>CLO2 Should be able to use analytical tools to formulate and solve economic and business problems</td>
<td>Goal# 1, 2</td>
</tr>
<tr>
<td>CLO3 Should be able to distinguish between minor and major issues</td>
<td>Goal# 1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>CLO4 Should be able to identify and use relevant information</td>
<td>Goal# 2</td>
</tr>
<tr>
<td>CLO5 Should be able to make trade-offs and informed decisions</td>
<td>Goal# 2</td>
</tr>
<tr>
<td>CLO6 Should demonstrate knowledge and awareness of international issues</td>
<td>Goal# 4</td>
</tr>
</tbody>
</table>
Course Description

Built upon contemporary scholarly work on international economics, economics of multinational enterprises and international business, this course presents a set of tools, concepts, and perspectives to help you comprehend key issues in China's foreign trade and investment and make related business decisions.

This course contains several major themes, including
(a) Exploring the opportunities that the emergence of the Chinese economy offers to foreign firms
(b) Analysing whether and how a foreign firm should be involved in the Chinese economy
(c) Understand China’s trade and its impacts
(d) Managing direct investment projects in China and competing successfully in the China market
(e) Understand China’s currency, RMB, development and future
(f) Chinese firms going global

Teaching Approach, Class Conduct and Evaluation Scheme

This course relies on lectures, case discussions in class and readings after class. Students should form teams to work in this class. Each team consists of 5 to 6 people. Teams must be formed by February 1 (the 3rd week). Class discussion and case analysis will be based on groups although individual participation is also welcome. There is a group project to be submitted by April 26. The topic of the project will be assigned three weeks prior to the submission date.

You are required to attend all classes on time. You will be expected to ask and answer questions, individually or by groups, and participate in discussions in the class. Information from individual performance in class will be used for appropriate adjustment of your final grade.

Four quizzes will be given (one question each time) in class without announcement in advance. Three highest scores will be counted.

There is a closed-book final exam. The examination date is determined by the University.

Final grades will be determined based on four components.
(1) Term project and case analysis: 30%
(2) Peer evaluation on team work: 5%
(3) Quiz: 12%
(4) Final examination: 53%

Grade Descriptors

<table>
<thead>
<tr>
<th>Grade</th>
<th>Criteria and Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+, A, A-</td>
<td>Demonstrate superior grasp of all aspects of the course Provide excellent analysis and ideas</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td>Demonstrate very good grasp of all aspects of the course Provide very good analysis and ideas</td>
</tr>
<tr>
<td>C+, C, C-</td>
<td>Demonstrate basic grasp of all aspects of the course Provide acceptable good analysis and ideas</td>
</tr>
<tr>
<td>D+, D</td>
<td>Marginal satisfaction</td>
</tr>
<tr>
<td>F</td>
<td>Fail to meet the minimum standard</td>
</tr>
</tbody>
</table>

Teaching and Learning Activities (TLA)
<table>
<thead>
<tr>
<th>Course Teaching and Learning Activities</th>
<th>Brief Description</th>
<th>Expected contact hour</th>
<th>Study Load (% of study)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLA1 Lecture</td>
<td>Instructor will give lectures on major concepts and issues.</td>
<td>36</td>
<td>80%</td>
</tr>
<tr>
<td>TLA2 In-class and tutorial presentation and discussion</td>
<td>Students are expected to present their answers and engage in discussion during lecture and tutorial meetings. Most in-depth learning takes place when students actively engage themselves in discussions thought presenting and sharing their ideas.</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>TLA3 Consultation</td>
<td>Both instructor and teaching assistant hold weekly consultation hours to answer students' questions.</td>
<td>24</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>63</td>
<td>100%</td>
</tr>
</tbody>
</table>

Alignment Among Course Intended Learning Outcome, Teaching and Learning Activities and Assessment Tasks:

<table>
<thead>
<tr>
<th>Assessment Methods</th>
<th>Brief Description (Optional)</th>
<th>Weight</th>
<th>Aligned Course Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1. Group performance in class discussion</td>
<td></td>
<td>10%</td>
<td>CLO1, CLO2, CLO3, CLO4</td>
</tr>
<tr>
<td>A2. Team project and case analysis</td>
<td></td>
<td>30%</td>
<td>CLO1, CLO2, CLO3, CLO4</td>
</tr>
<tr>
<td>A3. Peer evaluation on team work</td>
<td></td>
<td>5%</td>
<td>CLO1, CLO2, CLO3, CLO4</td>
</tr>
<tr>
<td>A4. Quiz</td>
<td></td>
<td>12%</td>
<td>CLO1</td>
</tr>
<tr>
<td>A5. Final examination</td>
<td></td>
<td>43%</td>
<td>CLO1, CLO2, CLO5, CLO6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Learning Outcome Teaching and learning activity (TLA) Assessment Tasks

<table>
<thead>
<tr>
<th>CILO01</th>
<th>TLA1, TLA2, TLA3</th>
<th>Attendance, Quiz, Term project, Final Exam</th>
</tr>
</thead>
<tbody>
<tr>
<td>CILO02</td>
<td>TLA1, TLA2, TLA3</td>
<td>Attendance, Quiz, Term project, Final Exam</td>
</tr>
<tr>
<td>CILO03</td>
<td>TLA1, TLA2, TLA3</td>
<td>Attendance, Quiz, Term project, Final Exam</td>
</tr>
</tbody>
</table>

**Academic Conduct**

The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web: [http://www.hku.hk/plagiarism/](http://www.hku.hk/plagiarism/)

Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

a. Plagiarism - The representation of someone else’s ideas as if they are one’s own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one’s own work. Paraphrasing of someone else’s ideas is still using someone else’s ideas, and must be acknowledged.

b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one’s own when in fact it is the result of a joint effort. Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

1. The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence;
2. The relevant Board of Examiners may report the candidate to the Senate, where there is prima facie evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

**Course Materials**

There is no text book. Basic course materials are from a reading list, which includes required readings, optional readings and background readings. You are encouraged and expected to read international and local newspapers, business periodicals and useful websites to keep yourself informed of current business and other events in China.

Lecture notes will be uploaded to the course website and Moodle (before or after the lecture, depending on the situations).

Cases will be distributed in the class prior to the discussion.

**Topics and Schedule**

1. **Course Introduction** (January 22)
   **Readings:** Lipman and Qiu (2012, Part IV)

2. **A General Framework of Globalization**
   **Issues:** Should our company go to China? How to enter the market? What are the main theories and recent observations of international trade, FDI and technology licensing?
   **Readings:** Any undergraduate textbook on international trade (e.g., Krugman and Obsfeld, 2008), OLI

3. **China’s Foreign Trade**
   **Issues:** How did China reform its foreign trade system and policy? What’s the role of China in the world trading system? What comparative advantages does China have? What will be the future for China’s exporters? What are the global impacts of China’s participation in world trade?

4. **FDI in China**
   **Issues:** A brief review of China’s FDI history; What are the incentives and constraints? How does it affect China’s economy? Who invest in China and in which industry. Where, how and why do they invest? Are FDI in China different from other countries? How do you choose your investment modes? How do you choose your JV partners? How do you work with your JV partners? China’s FDI outflows.
   **Cases:** P&G in China; Visa’s Challenges in China; Tencent Going Global

5. **Special Issues**
   **Issues:** WTO history, principles and roles; China’s obligation in the WTO; China’s free trade areas (CEPA); Sino-US trade imbalance; Antidumping and China; Product quality; China’s exchange rate system; RMB internationalization; How are Chinese exporters and importers different?
Time Table

Reading List

Suggested Readings [You must read these articles (at least part of each), especially those with asterisk, which deal with issues directly covered in the lectures.]


*CCPIT (China Council for the Promotion of International Trade), 2012, Survey on Chinese Enterprises’ Outbound Investment and Operation

Fung, Hung-gay, 2005, China’s Foreign Trade and Investment: An Overview and Analysis, China & World Economy, May/Jun 2005


OECD, 2003, OECD Investment Policy Reviews: China, Progress and Reform Challenges

Pei, Changhong, 2005, Analysis of China’s Foreign Trade Growth and Discussion of Related Policies, China & World Economy, Mat/Apr 2005

*Qiu, Larry D., 2014(a), “Understanding China’s Foreign Trade: Literature Review (I)”, China Economic Journal,


*Rodrik, Dani, 2006, “What’s so special about China’s exports?” China & World Economy, vol 14, no 5, 1-19


Optional Readings [Some lectures touch on these articles directly and indirectly. They help you understand those issues in greater details.]


Huang, Yasheng, 2003, Selling China, Foreign Direct Investment during the Reform Era, Cambridge: Cambridge University Press


Background Readings [These books provide general frameworks and pictures for understanding China’s global integration]

UNCTAD, 2006, *World Investment Report*

**Useful References**

| China Statistical Yearbook                       | Far Eastern Economic Review |
| China Economic Review                           | China Business Review       |
| Business China                                  | Harvard Business Review     |
| Economists                                      |                             |
| Almanac of China’s Foreign Economic Relations and Trade |                             |

**Useful Websites for Trade/FDI Information and Policies**

- Hong Kong Trade Development Council: [http://www.tdctrade.com/](http://www.tdctrade.com/)